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DATE March 24, 1955

COPY NO. 8

OPERATIONS COORDINATING BOARD

Washington, D.C.

PROGRESS REPORT ON NSC 5405
(SOUTHEAST ASIA)

AND

SUMMARY OF DEVELOPMENTS IN INDOCHINA

REFERENCE: NSC Action No. 1011, and Board Assistants' Mtg. 2/18/55.

OCB FILE NO. 41 and 64

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NSC review(s) completed.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

April 13, 1955

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: Progress Report on NSC 5405 (Southeast Asia) and Summary of Developments in Indochina

The attached Operations Coordinating Board Progress Report on NSC 5405, "United States Objectives and Courses of Action With Respect to Southeast Asia," and the supplement thereto, "Summary of Developments in Indochina," dated March 24, 1955, were noted by the National Security Council on April 7, 1955, Action No. 1376-b.

The differences between these reports and the previous drafts dated March 15, 1955 are shown on the reverse side of this memorandum.

The previous drafts on this subject, dated February 21 and 25 and March 15, 1955, are obsolete and may be destroyed in accordance with the security regulations of your agency.

Elmer B. Staats
Executive Officer

Attachment:

Executive Officer, OCB, memo to NSC,
on above subject, dated 3/25/55,
with attachments as listed.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

March 25, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: Progress Report on NSC 5405 (Southeast Asia) and the Supplement thereto: Summary of Developments in Indochina.

There is attached a Progress Report by the Operations Coordinating Board on NSC 5405, "United States Objectives and Courses of Action with Respect to Southeast Asia," covering the period July 22, 1954 through March 15, 1955, and a supplement to the report for the period August 20, 1954 through February 21, 1955, covering the major developments in Indochina. On March 23, 1955, the Operations Coordinating Board concurred in the Progress Report and the Supplement for transmittal to the National Security Council.

The agencies participating in the implementation of NSC 5405 were: Department of State, Department of Defense, Foreign Operations Administration, Central Intelligence Agency, and United States Information Agency. The Treasury Department also participated in the activities reported in the supplement on Indochina.

Elmer B. Staats
Executive Officer

Attachments:

1. Progress Report on NSC 5405 (Southeast Asia) dated 3/24/55, with attachment as listed.
2. Supplement to Progress Report on NSC 5405, Summary of Developments in Indochina, dated 3/24/55.

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March 24, 1955

PROGRESS REPORT ON NSC 5405
UNITED STATES OBJECTIVES AND COURSES OF ACTION
WITH RESPECT TO SOUTHEAST ASIA

(Policy approved by the President, January 16, 1954)
(Period Covered: July 22, 1954 through March 15, 1955)

A. SUMMARY OF MAJOR ACTIONS AND DECISIONS

1. The previous Progress Report dated August 4, 1954 coincided with the end of 7-½ years of organized warfare in the Associated States, especially concentrated in Viet-Nam, characterized by the final declaration of the Geneva Conference on July 21,1954. That Progress Report was preoccupied with the Associated States and the major forward stride of Communism in that part of Southeast Asia.

On August 4, 1954, the OCB established an Indochina Special Committee but left it to the NSC 5405 Working Group to report on the remainder of the area of Southeast Asia.

The present Progress Report, therefore, will be concerned chiefly with Thailand and Burma. No special operations were carried on in respect to Malaya. There is attached a summary of developments at the February 23 Bangkok Conference which relate to NSC 5405.

2. Thailand: Thailand received the major emphasis. The principal actions regarding Thailand were:

a. Granting special assistance to Thailand to strengthen its military establishment as follows:

$18 million to be distributed for military equipment

$10 million to the Army
2.3 million to the Navy
5.7 million to the Air Force

$7 million for FOA use in the construction of military establishments, particularly related to training programs.

b. Programming an additional $3.5 million to help finance the construction of a highway through northeastern Thailand.

c. An increase of $15.3 million has been recommended in the Thailand Fiscal Years 1950-54 MDA program for Thai Armed Forces. As of November 1, 1954, $67.4 million of the Army 1950-54 MDA

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program had been delivered. If approved, the ceiling for the period will be $94.1 million.

d. $28.2 million was programmed during the visit of Police Director General Phao Sriyanon in November - December 1954, for specific projects to be worked out in such fields as highways, railways, and specialized equipment aimed to improve communications. The specific projects should be developed and made firm before the end of Fiscal Year 1955. One project was firmly agreed to: the expansion of the Thai Volunteer Defense Corps to embrace 25,000 of the 40,000 villages of the nation and to cope with communist subversion at the village level.

e. A nation-wide information program was launched to assist the Thai Government in informing the 20 million people resident in Thailand of the nature and dangers of communism. From December 7 to December 16, the U.S. Government participated in the Bangkok Constitution Fair with industrial exhibits and Cinerama. This was the first U.S. undertaking of its kind under the President's program for increased participation in trade fairs. The combined U. S. Government and industry exhibit won first prize from the Thai Government for originality.

f. A political basis for collective action against further communist advances was established through the Manila Pact involving eight nations vitally concerned with communism in Southeast Asia.

3. Burma: Plans were made for providing military assistance to the Burmese in a maximum amount of $20 million under Section 121 of the MSA. Rangoon was instructed to sound out the Burmese Government informally on the understanding that if the Burmese reaction was favorable the U.K. Government would be informed and the approach to the Burmese Government would be formalized.

4. Overseas Chinese: Lines of action were studied and agreed to regarding overseas Chinese in Southeast Asia with a view to preventing them from falling victims of the Communists. Special attention was given to means of dissuading Chinese youth from traveling to mainland China to study in Communist institutions of learning, with special reference to improving educational facilities to Chinese elsewhere in Asia such as at Singapore, Hong Kong, Taipei and Manila.

B. EVALUATION OF PROGRESS IN IMPLEMENTING NSC POLICIES AND OBJECTIVES

5. The major actions in line with NSC 5405 policy have met with ready cooperation by the Thai Government on all categories of programs and, in fact, the size of certain programs has exceeded original plans. Little progress was made with Burma because of the Burmese Government's

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reluctance to take any public position which might jeopardize its relations with Communist China. There were no significant U.S. programs in Malaya because of the British belief that they were competent to cope with the problems and did not seek U.S. assistance. The necessity of developing regional solidarity has resulted in the preparation of a paper on the subject: "Promotion of Regional Solidarity in Mainland Southeast Asia." NSC 5405 is under review.

C. EMERGING PROBLEMS AND FUTURE ACTIONS

6. Manila Pact: The Asian members of the Manila Pact may exert pressure on the U.S. to depart from its previous position and engage in combined planning and make more specific commitments with respect to the area and military implementation of the Pact.

7. Burma: The project for assisting Burma in funding arms purchases is constantly under consideration and U.S.-Burma negotiations will probably be initiated shortly.

8. Regional Solidarity: Thailand, Laos and Cambodia recognize that if they are to survive communist aggression, it will be necssaary for them to cooperate with one another more than at any time in their previous history.

Collective action against external dangers can be dealt with chiefly under the Manila Pact which has a predominantly Western flavor. The development of collective action to meet internal problems requires stimulating initiative and leadership among the states located in the region. Although many references and studies have been made treating Southeast Asia on a regional basis, the countries in the area have not yet developed the bases for regional action and those bases need to be brought into being. A paper on the subject: "Promotion of Regional Solidarity in Mainland Southeast Asia" was prepared by the OCB Working Group, and transmitted to the Board Assistants on February 11 for information; and was simultaneously forwarded to interested posts in the field for comment with a view to revision.

9. Afro-Asian Conference: The activities of the Afro-Asian nations at the Bangdung Conference in April 1955, could have a detrimental effect on the achievement of U.S. national objectives. Although the Conference will present the Chinese Communists with propaganda opportunities, the principal communist gain may be in achieving an appearance of peaceful unanimity at an Afro-Asian Conference from which Western democratic powers are excluded. The implication would be that further Afro-Asian Conferences should be held of a similar nature which would make it increasingly difficult for the Western democracies to persuade Asian and African countries to take a firm anti-communist position. If an Afro-Asian Secretariat is established, the probability of more such conferences would be assured.

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10. Vietnamese Refugees: The United States is taking an active interest in the possible evacuation and repatriation of 54,000 Vietnamese refugees in northeastern Thailand, most of whom entered Thailand during 1946 and 1947 from the Hue area of Viet-Nam. As most of them proved to be Viet Minh sympathizers and potential communist agents, the Thai Government regards them with suspicion. In October 1954 the Thai Government reached agreement with the South Viet-Nam Government for the repatriation of these refugees. Currently the Thai Government has received the assistance of the French Government in inquiring whether the Viet Minh will receive those Vietnamese refugees who desire to be repatriated to the Communist area. The U.S. Government is attempting not to become involved publicly with the repatriation, if it occurs, but it may become involved in helping finance the arrangement. There is a possibility that these refugees may be moved from Thailand, through Laos to Viet-Nam and that Thailand will finance such a move. The Laos Government is apprehensive of Viet-Nam refugees taking flight, while in transit through Laos, and forming a subversive cadre in that country.

11. Rice Surpluses: The problem of rice surpluses in Burma and Thailand may rise to plague us during the coming year. These nations, with the U.S., are the three major rice exporting nations. At the close of the calendar year 1954, Burma and Thailand were faced with large unsold surpluses, Thailand alone having a surplus unsold of about 600,000 tons. Burma and Thailand were alarmed at the possibility that the United States would sell its surpluses in Asia, thus depressing the market for Thai-Burmese rice, aggravating their foreign exchange problem, and possibly requiring them to seek relief from the U.S. Government. The U.S. will under PL 480 sell rice only to Japan and not to other parts of Asia. As new crops become available in 1955, the problem will continue to be of importance.

Attachment:
Summary of Developments at
Feb. 23 Bangkok Conference.

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THE IMPLEMENTATION OF NSC 5405 THROUGH THE MANILA PACT CONFERENCE AT BANGKOK

March 24, 1955

1. The objectives of NSC 5405 are to prevent the countries of Southeast Asia from passing into the Communist orbit: to persuade them that their best interests lie in greater cooperation and strong affiliations with the rest of the world; and to assist them to develop toward stable, free governments with the will and ability to resist Communism from within and without, and to contribute to the strengthening of the Free World. (NSC 5405, Paragraph 10.)

The Manila Pact Conference substantially furthered the achievement of these objectives, although at this early date the furtherance is largely psychological. The working groups which will meet as a result of discussions at Bangkok, however, should in time produce specific developments of a political, economic, counter-subversive, and military nature which will supplement the psychological gains already made.

2. The United States should encourage and support the spirit of resistance among the peoples of Southeast Asia to Chinese Communist aggression, to indigenous Communist insurrection, subversion, infiltration, political manipulations, and propaganda. (NSC 5405, Paragraph 18.)

Aggression in the Treaty area has been made more difficult. It has been made clear to the potential aggressors that the member nations not only profess the principles of correct international conduct as stated in the text of the Pacific Charter and the Preamble to the Pact, but also are prepared to implement and take specific action to put such principles into practice. The Conference statement with regard to the Afro-Asian meeting enables the Asian members of the Manila Pact to take a positive stand toward the Bandung meeting. The members of the Pact are now more aware of the relationship to their security of the several Treaties of mutual defense and assistance signed by the United States with Korea, Formosa, Japan, Philippines, Australia, and New Zealand. They better understand the nature of U.S. military power in the Far East and its role in the defense of their countries.

Subversion has for the first time been publicly recognized and discussed as a common problem in an international forum. Exchange of information between the participants at Bangkok has demonstrated the common threat posed to each. Presentation by the Philippine Government of the details of its successful campaign against subversion has demonstrated that such subversion can be dealt with when and if imaginative and energetic steps are taken.

3. The United States should demonstrate to the indigenous governments of Southeast Asia that their best interests lie in greater

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cooperation and closer affiliation with the nations of the Free World. (NSC 5405, Paragraph 11.)

Cooperation among the Treaty members, with a view to reaching agreement on specific problems, has been initiated through this Conference. The basis for such cooperation has been lacking in the past, and few Southeast Asian nations have had experience in solving problems through mutual effort. The continuing associations set up at Bangkok to deal with specific political, military, subversive, and economic problems should stimulate the habit of cooperation and the interrelationship initiated by the meeting of Foreign Ministers. It is anticipated that as the various working groups meet and work together over the next months, the conference method for solving pressing and difficult international problems will become habitual. It will be of prime importance, therefore, for these working groups to produce courses of action which appear to be of a substantial and effective nature, in order that the device of multilateral cooperation will prove itself to each participant.

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March 24, 1955

SUPPLEMENT TO PROGRESS REPORT ON NSC 5405 (SOUTHEAST ASIA)
SUMMARY OF DEVELOPMENTS IN INDOCHINA

(Ref: NSC 5429/2 and NSC 5429/5; Period Aug. 20, 1954 through March 15, 1955)

A. MAJOR ACTIONS

1. In accordance with the recommendations formulated by General J. Lawton Collins pursuant to the frame of reference approved by the President for him as his special representative in Viet-Nam, the U.S. has:

a. vigorously supported the government of Prime Minister Diem in Viet-nam;

b. formulated force goals and secured their acceptance as modified;

c. agreed on economic aid, direct defense support, technical assistance and informational programs;

d. made budgetary determinations totalling $314.3 million for FY 1955, under Section 121 of the Mutual Security Act of 1954 for military and economic programs for Viet-nam;

e. encouraged political and economic reforms;

f. reached agreement with the French and Vietnamese on U.S. training of the Vietnamese National Army under which the U.S. undertook direction of training on February 12;

g. initiated direct aid; and,

through government level negotiations has attempted, without success, to reach complete U.S.-French agreement on policies in respect to Viet-Nam, particularly with respect to full French support of Diem in Free Viet-Nam and regarding French economic policies toward the Viet Minh. There is evidence of a renewed campaign against Diem, involving French press stories describing "civil war" and other deterioration which is only partially supported by the facts reported by Embassy Saigon. The recent declaration of the Sects on March 4 indicates a desperation on their part as French funds have been stopped and Diem is curtailing supplies to limit the Sects military capacity.

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2. The U.S. Navy sea-lift evacuated approximately 200,000 Vietnamese civilians from Haiphong to Free Viet-Nam.

3. In Cambodia, direct economic aid continues; final agreement has not been reached on U.S. training of the Khmer forces although force goals have been approved by the JCS; $42.2 million allotted for FY 1955 but no disbursement made. The MAAG bilateral is expected to be signed about March 30, with the question of U.S. training left open.

4. Progress has been more limited in Laos, where direct aid has started, due to the limitations of the Geneva agreements; $53.3 million allotted for FY 1955. The organization and responsibilities of the country team have been agreed to.

5. Seven additional helicopters and six light aircraft were shipped from Japan March 12 to the French for International Control Commission use especially in Laos.

6. The information program, formerly centralized in Saigon, now operates in Vietnam, Laos and Cambodia. Program expansion from $1,300,000 to about $2,500,000 in February 1955 emphasizes provincial activities to stimulate and organize anti-communist and pro-government support. In addition to pamphlets, leaflets and posters, documentary motion picture production and distribution is being increased significantly.

B. MAJOR OUTSTANDING PROBLEMS

Bilateral talks are to be held with the French probably mid-April in Washington to consider the following problems:

1. The equivocal nature of French policy towards Viet-Nam, e.g., attempted and possible accommodation with the Viet Minh, replacement of Diem by a more pliant figure, makes for continuing difficulties. It does not appear likely that this French attitude policy will change under M. Faure.

2. The conflict between Diem and the sects was characterized by resolution by Diem not to give in to the sects' demands for more money or additional positions of power(they now have eight Cabinet and sub-Cabinet posts plus the control of the National Police); and by the announcement by the sects that unless Diem satisfied their demands by March 25, they would cause trouble.

French suggestions that the U.S. join in pressures on Bao Dai to cause his return to Saigon as a mediator were refused by the U.S.

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3. U.S.-French differences are at present unresolved with respect to whether France or U.S. will exercise training responsibility of Cambodian forces. The Secretary of State's compromise formula, approved by the President, has been given to the French and Cambodians for study. French reaction is unfavorable.

4. The internal political situation in Laos continues to be alarming because of the soft attitude of the Lao Government toward the Communist Pathet Lao and the inability of the Royal Government to reassert its authority in the two northernmost provinces.

5. Individual decisions by the powers signatory to the Protocol to the Manila Pact are required to supplement the limited effectiveness of the non-communist forces in Indochina as in the other parts of the Treaty Area against overt communist aggression or subversion.

6. The International Control Commission in each of the countries retains on balance a tendency to favor the communists, largely because of failure to take effective action on Viet Minh/Pathet Lao violations and because of the usual delaying tactics by the Poles and to a lesser extent by the hyper-neutralist attitude of the Indians.

7. Elections (See C, 1., below).

C. POLICY DEVELOPMENTS

1. In NSC Action No. 1316, the NSC reaffirmed paragraph 10a of NSC 5429/5 and noted that the Department of State will within two months (by April 3, 1955) prepare for the Council and the President policy recommendations in respect to Vietnamese elections scheduled for July 1956 under the terms of the Geneva agreements. General Collins' recommendations have been requested and the Department of State has produced several preliminary studies on this subject.

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GUIDE TO DIFFERENCES BETWEEN THESE REPORTS AND THE DRAFTS DATED MARCH 15, 1955

I. Progress Report on NSC 5405:

Part C, Par. 9 (page 3), line 2, word change.
Part C, Par. 11 (page 4), line 10, "under PL 480" added.

II. Attachment - Summary of Developments at Feb. 23 Bankok Conference:

Par. 2 (page 1), line 14, word change.
Par. 2 (page 1), line 17, word added.

III. Supplement - Summary of Developments in Indochina:

Part A, Par. 1 (page 1) 4th from last line, word change.
Part A, Par. 2 (page 2) new paragraph.
Part A, Par. 3 (page 2) last sentence deleted.
Part A, Par. 4 (page 2) last sentence revised.
Part A, Par. 5 (page 2) revised.
Part A, Par. 6 (page 2) new paragraph.

Part B, (page 2) first sentence, word change.
Part B, Par. 2 (page 2) new paragraph.
Part B, Par. 3 (page 3) paragraph revised.
Part B, Par. 6 (page 3) line 3, word added
Part B, Par. 6 (page 3) line 5, phrase added.

Part C, Par. 1, (page 3) lines 1 and 2 revised.

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